

Clwyd Pension Fund - Risk Register

Governance Risks

Last Updated 14/04/2016

Objects extracted from Governance Policy (7/2014), Training Policy (12/2015) and Breaches Procedure (12/2015):

- G1 Act in the best interests of the Fund's members and employers
- G2 Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- G3 Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- G4 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- G5 Understand and monitor risk
- G6 Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- G7 Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
- T1 Ensure that the Clwyd Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape.
- T2 Those persons responsible for governing the Clwyd Pension Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.
- B1 Ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report.
- B2 Assist in providing an early warning of possible malpractice and reduce risk.

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Further Action?	Owner	Next review date	Last Updated
1	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately considered (recognising that many risks can be identified but not managed to any degree of certainty)	All	Marginal	Low	3	1 - Risk policy in place 2 - Risk register in place and key risks/movements considered quarterly and reported to each PFC 3 - Advisory panel meets at least quarterly discussing changing environment etc 4 - Fundamental review of risk register annually 5 - TPR Code Compliance review completed annually 6 - Annual internal and external audit reviews 7 - Breaches procedure also assists in identifying key risks	Marginal	Low	3	✓	None	CPFM	31/03/2017	14/04/2016
2	Inappropriate or no decisions are made	Governance (particularly at PFC) is poor including due to: - short appointments - poor knowledge and advice - poor engagement /preparation / commitment - poor oversight	G1 / G2 / G3 / G4 / G5 / G6 / G7	Marginal	Significant	3	1 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Annual check against TPR Code 4 - Training Policy, Plan and monitoring in place for PC and PB members 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PC, PB and officers in their responsibilities 6 - Induction training programme in place for new Committee members which covers CIPFA Knowledge and Skills requirements and can be delivered quickly. 7 - Terms of reference for the Committee in the Constitution allows for members to be on the Committee for between 4-6 years but they can be re-appointed.	Negligible	Low	2	✗	1 - Complete Training Needs Analysis/consider engagement 2 - Speak to Democratic Services before FCC elections to assist with continuity/retaining knowledge	CPFM	30/09/2016	14/04/2016
3	Our legal fiduciary responsibilities are not met	Decisions, particularly at PFC level, are influenced by conflicts of interest and therefore may not be in the best interest of fund members and employers	G1 / G2 / G4 / G6 / T2	Negligible	Very Low	1	1 - Conflicts of Interest policy focussed on fiduciary responsibility regularly discussed and reviewed 2 - Independent advisor focussing on governance including annual report considering structure, behaviour and knowledge 3 - All stakeholders to which fiduciary responsibility applies represented at PFC and PB 4 - Training Policy, Plan and monitoring in place for PC and PB members including section on responsibilities 5 - There is a range of professional advisors covering all Fund responsibilities guiding the PC, PB and officers in their responsibilities 6 - Clear strategies and policies in place with Fund objectives which are aligned with fiduciary responsibility	Negligible	Very Low	1	✓	None	CPFM	31/03/2017	14/04/2016
4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	G2 / G7	Negligible	Very Low	1	1- Range of policies in place and all reviewed at least every three years 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually (work in progress) 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored	Negligible	Unlikely	1	✓	1- Ensure work relating to annual monitoring is completed	Pension Finance Managers	30/06/2016	14/04/2016
5	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such as LGR, scheme change and asset pooling	G1 / G4 / G6 / G7	Critical	Very High	4	1 - Continued discussions at AP, PFC and PB regarding this risk 2 - Involvement of CEO / links to WLGA and WG 3 - Fund's consultants involved at national level/regularly reporting back to AP/PFC 4 - Key areas of potential change identified as part of business plan (ensuring ongoing monitoring)	Marginal	Low	3	✗	1 - Regular ongoing monitoring by AP to consider if any action is necessary	CPFM	22/03/2016	14/04/2016
6	Services are not being delivered to meet legal and policy objectives	Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades.	G3 / G6 / G7 / T1	Critical	Significant	4	1 - 2016/17 business plan identifies key officer risk 2 - Review of admin structure in 2015/16 3 - Quarterly update reports consider resourcing matters 4 - Advisory Panel provide back up when required 5 - Additional resources, such as outsourcing, considered as part of business plan	Negligible	Very Low	1	✗	1 - Review key officer risk (on Business Plan)	CPFM	30/09/2016	14/04/2016
7	Legal requirements and/or guidance are not complied with	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches)	G3 / G6 / T1 / T2 / B1 / B2	Marginal	Very Low	2	1 - TPR Code Compliance review completed annually 2 - Annual internal and external audit reviews 3 - Breaches procedure also assists in identifying non-compliance areas (relevant individuals provided with a copy and training provided) 4 - Training policy in place (fundamental to understanding legal requirements) 5 - Use of nationally developed administration system 6 - Documented processes and procedures 7 - Strategies and policies often included statements or measures around legal requirements/guidance 8 - Wide range of advisers and AP in place 9 - Independent adviser in place including annual report which will highlight concerns	Negligible	Very Low	1	✗	1 - Ongoing work to ensure breaches are identified and the procedure used appropriately 2 - Further documented processes (as part of TPR compliance) e.g. contribution payment failure	CPFM	30/09/2016	14/04/2016

Clwyd Pension Fund - Risk Register

Funding & Investment Risks (includes accounting and audit)

Last Updated 14/04/2016

Objectives extracted from Funding Strategy Statement (5/2015) and Statement of Investment Principles (6/2015):

- F1 Achieve and maintain assets equal to 100% of liabilities within reasonable risk parameters
- F2 Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- F3 Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- F4 Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- F5 Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- F6 Ensure net cash outgoings can be met as/when required
- F7 Minimise unrecoverable debt on employer termination.

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1	Employer contributions are unaffordable and/or unstable	An appropriate funding strategy can not be set	F1 / F2 / F3 / F4 / F5	Critical	Significant	4	1 - Ensuring appropriately prudent assumptions on an ongoing basis 2 - All controls in relation to other risks apply to this risk 3 - Consider employer covenant and reasonable affordability of contributions for each employer as part of the valuation process	Critical	Very Low	3	X	1 - This risk will be considered and quantified in more detail as part of the 2016 Actuarial Valuation including building a framework to monitor employer risk	CPFM	30/9/16 2016	14/04/2016
2	Funding level reduces, increasing deficit	Movements in assets and/or liabilities (as described in 3,4,5) in combination	F1 / F2 / F3 / F4 / F5 / F7	Critical	Significant	4	See points within points 3,4 and 5	Marginal	Low	3	X	See points within points 3,4 and 5	CPFM	30/09/2016	14/04/2016
3	Investment targets are not achieved therefore reducing solvency / increasing contributions	-Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented.	F1 / F2 / F3 / F4 / F7	Critical	Significant	4	1 - Use of a diversified portfolio (regularly monitored) 2 - Flightpath in place to exploit these opportunities in appropriate market conditions 3 - Monthly monitoring of funding position versus flightpath targets 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee 5 - On going monitoring of appointed managers (including in house investments) managed through regular updates and meetings with key personnel 6 - Officers regularly meet with Fund Managers, attend seminars and conferences to continually gain knowledge of investment opportunities available.	Critical	Low	3	X	1 - The impact of the assumptions will be considered and quantified in more detail as part of the 2016 Actuarial Valuation 2 - Review of flight path strategy following valuation 3 - Review of investment strategy following valuation	Pension Finance Managers	30/09/2016	14/04/2016
4	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Market factors impact on inflation and interest rates	F1 / F2 / F4 / F5 / F7	Critical	Low	3	1 - LDI strategy in place to control/limit interest and inflation risks. 2 - Use of a diversified portfolio which is regularly monitored. 3 - Monthly monitoring of funding and hedge ratio position versus targets. 4 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the Pensions Advisory Panel and Committee.	Marginal	Very Low	2	X	1 - This risk will be considered and quantified in more detail as part of the 2016 Actuarial Valuation 2 - Review of flight path strategy following valuation	Pension Finance Managers	30/09/2016	14/04/2016
5	Value of liabilities/contributions change due to demographics being out of line with assumptions	This may occur if employer matters (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions	F1 / F2 / F5 / F7	Marginal	Low	3	1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases.	Marginal	Very Low	2	X	1 - Assumptions and experience will be considered as part of the 2016 valuation.	Pension Finance Managers	30/09/2016	14/04/2016
6	Investment and/or funding objectives and/or strategies are no longer fit for purpose	Legislation changes such as LGPS regulations (e.g. asset pooling), tax treatments, results of the EU referendum, MIFIDII and other funding and investment related requirements - ultimately this could increase employer costs	F1 / F2 / F3 / F4 / F5 / F6 / F7	Critical	Very High	4	1 - Ensuring that Fund concerns are considered by the Pensions Advisory Panel and Committee as appropriate 2 - Employers and interested parties to be kept informed and impact monitored 3 - Monitor developments over time, working with investment managers, investment advisers, Actuary and other LGPS	Marginal	Low	3	X	1 - Fund has no control over this except through responses to consultations etc. There are tax changes proposed by Government which could adversely affect membership.	CPFM	30/09/2016	14/04/2016
7	Insufficient assets to pay benefits	Insufficient cash (due to failure in managing cash) or only illiquid assets available - longer term this will likely become a problem and would result in unanticipated investment costs	F1 / F6	Negligible	Very Low	1	1 - Cashflow monitoring to ensure sufficient funds 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Holding liquid assets 4 - Monitor cashflow requirements 5 - Treasury management policy is documented	Negligible	Very Low	1	✓	1 - Inform major employers of the requirement to notify Fund of any significant restructuring exercises. (Need to consider controls currently in place).	Pension Finance Managers	30/09/2016	14/04/2016
8	Loss of employer income and/or other employers become liable for their deficits	Employer ceasing to exist with insufficient funding (bond or guarantee)	F5 / F7	Marginal	Very Low	2	1 - Consider profile of Fund employers and assess the strength their covenant and/or whether there is a quality guarantee in place. 2 - When setting terms of new admissions require a guarantee or bond. 3 - Formal consideration of this at each actuarial valuation plus proportionate monitoring of employer strength. 4 - Identify any deterioration and take action as appropriate through discussion with the employer.	Marginal	Unlikely	1	X	1 - Employer risk management framework to be developed	Pension Finance Managers	31/12/2016	14/04/2016

Clwyd Pension Fund - Risk Register

Administration and Communication Risks

Last Updated 14/04/2016

Objectives extracted from Draft Administration Strategy (02/2016) and Draft Communications Strategy (02/16):

- A1 Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- A2 Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- A3 Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- A4 Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- A5 Maintain accurate records and ensure data is protected and has authorised use only
- C1 Promote the Scheme as a valuable benefit and provide sufficient information so members can make informed decisions about their benefits
- C2 Communicate in a clear, concise manner
- C3 Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders
- C4 Look for efficiencies in delivering communications through greater use of technology and partnership working
- C5 Regularly evaluate the effectiveness of communications and shape future communications appropriately

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1	Unable to meet legal and performance expectations (including inaccuracies and delays) due to staff issues	There are poorly trained staff and/or we can't recruit/retain sufficient quality of staff, including potentially due to pay grades	All	Marginal	Significant	3	1 - Training Policy, Plan and monitoring in place 2 - BP 2016/17 improvements assist with staff engagement 3 - Benefit consultants available to assist if required 4 - Ongoing task/SLA reporting to management/AP/PC/LPB to quickly identify issues 5 - Recent restructuring of team 6 - Data protection training, policies and processes in place 7 - System security and independent review/sign off requirements	Negligible	Low	2	X	1 - Consider risk from senior staff/similar age	Pensions Administration Manager	30/09/2016	14/04/2016
2	Unable to meet legal and performance expectations (including inaccuracies and delays) due to employer issues	Employers: -don't understand or meet their responsibilities -don't have access to efficient data transmission -don't allocate sufficient resources to pension matters	A1 / A4 / A5 / C2 / C3 / C4 / C5	Critical	Extremely High	4	1 - Administration strategy recently agreed 2 - Employer steering group established 3 - Greater engagement through Pension Board 4 - Backlog project in place 5 - Part of 2016/7 internal audit plans for all Councils	Negligible	Very Low	1	X	1 - Roll out admin strategy including I-connect	Pensions Administration Manager	30/04/2016	14/04/2016
3	Unable to meet legal and performance expectations due to external factors	Big changes in employer numbers or scheme members or unexpected work increases (e.g. severance schemes or regulation changes)	A1 / A4 / A5 / C2 / C3 / C4 / C5	Critical	Low	3	1 - Ongoing task and SLA reporting to management/AP/PC/LPB to quickly identify issues 2 - Benefit consultants available to assist if required	Marginal	Low	3	√		Pensions Administration Manager	30/06/2016	14/04/2016
4	Scheme members do not understand or appreciate their benefits	Communications are inaccurate, poorly drafted or insufficient	C1/ C2 / C3	Marginal	Low	3	1 - Communications Strategy in place 2 - Annual communications survey for employees and employers 3 - Specialist communication officer employed	Negligible	Very Low	1	X	1 -Continue with website development 2 -Roll out member self service	Pensions Administration Manager	30/09/2016	14/04/2016
5	High administration costs and/or errors	Systems are not kept up to date or not utilised appropriately, or other processes inefficient	A2 / A4 / C4	Critical	Significant	4	1- Business plan has number of improvements (task management, doc prod etc) 2 - Recent efficiency review 3 - Pension Admin Manager on management group for admin software	Negligible	Very Low	1	X	1 -Various improvements in 2016/17 business plan (e.g. doc prod)	Pensions Administration Manager	30/06/2016	14/04/2016
6	Service provision is interrupted	System failure or unavailability	A1 / A4 / C2	Negligible	Unlikely	1	1 - Disaster recover plan in place and regularly checked	Negligible	Unlikely	1	√		Pensions Administration Manager	31/03/2017	14/04/2016

Risk Evaluation and Likelihood and Impact Explanations

The following information outlines how risks are to be evaluated. It is based on the FCC evaluation system incorporated in its Risk Management & Strategy (January 2016) but has been customised in places to better fit the management of Clwyd Pension Fund.

Assessment of risk:

Impact Severity	Catastrophic	Yellow	Amber	Red	Red	Black	Black
	Critical	Yellow	Amber	Amber	Red	Red	Red
	Marginal	Green	Yellow	Amber	Amber	Amber	Red
	Negligible	Green	Green	Yellow	Yellow	Amber	Amber
		Unlikely (5%)	Very Low (15%)	Low (30%)	Significant (50%)	Very High (65%)	Extremely High (80%)
Likelihood & Percentage of risk happening							

Interpretation of risk exposure

Risk Exposure	Impact/Likelihood	Risk Appetite/Control
Black	Catastrophic consequences, almost certain to happen	Unacceptable level of risk exposure which requires immediate corrective action to be taken. Regular monitoring required; at least monthly
Red	Major consequences, likely to happen	Unacceptable level of risk exposure which requires regular active monitoring (at least quarterly) and measures to be put in place to reduce exposure.
Amber	Moderate consequences, possible occurrence.	Acceptable level of risk exposure subject to regular active monitoring measures, at least quarterly.
Yellow	Minor consequences, unlikely to happen.	Acceptable level of risk subject to regular passive monitoring measures, at least half yearly.
Green	Insignificant consequences, almost very unlikely to happen.	Acceptable level of risk subject to periodic passive monitoring measures, at least annually.

Criteria for assessing impact (based on FCC with CPF customisation):

Description	FCC Examples (apply to CPF where relevant)	Additional CPF examples
Catastrophic	No confidence in Senior Management / Leadership Formal WG intervention/exercise of their powers Multiple fatalities Complete/critical service failure Exceedingly negative <i>national</i> publicity Serious impact on workforce across more than one Portfolio Legal action almost certain, unable to defend Serious financial impact to budget, not manageable within existing funds and may impact on reserves Non-compliance with law resulting in imprisonment	Incorrect actual benefit calculations affecting more than 500 members Incorrect general/estimate information being communicated that could impact 80% A, D or P members Delay in paying pensioners by more than 3 working days Consistently missing both legal and Fund's agreed delivery timescales Impact on assets or liabilities changing funding level by more than 20% over a 1 month period Formal DCLG/TPR/SAB or other regulatory intervention/exercise of their powers Serious impact on workforce impacting more than one area of CPF team
Critical	Limited confidence in Senior Management/Leadership Significant service failure Negative <i>national</i> publicity Impact on workforce across more than one Portfolio Legal action almost certain and difficult to defend Serious financial impact to budget, manageable across the authority Negative external regulatory reports impacting on Corporate Governance Single fatality	Incorrect actual benefit calculations affecting 100-500 members Incorrect general/estimate information being communicated that could impact 25-80% A, D or P members Delay in paying pensioners by 2 working days Missing some legal and regularly missing Fund's agreed delivery timescales Impact on assets or liabilities changing funding level by 10-20% over a 1 month period Informal DCLG/TPR/SAB or other intervention Negative national level information (e.g. outlier on league tables) Serious impact on workforce impacting one area of CPF team
Marginal	Significant service under performance Negative <i>local</i> publicity Expected impact on workforce, but manageable within Portfolio contingency arrangements Legal action expected Expected financial impact to budget, manageable within Portfolio Non-compliance with law resulting in fines Negative external regulatory reports Extensive, permanent/long term injury or long term sickness	Incorrect actual benefit calculations affecting 50-100 members Incorrect general/estimate information being communicated that could impact 10-25% A, D or P members Delay in paying pensioners by 1 working day Meeting the majority of legal but missing some Fund's agreed delivery timescales Impact on assets or liabilities changing funding level by 5-10% over a 1 month period Negative regional level information (e.g. outlier on Welsh or County league tables) Expected, but manageable, impact on workforce impacting one area or more areas of CPF team
Negligible	Some risk to normal service delivery but manageable within contingency arrangements Legal action possible but unlikely and defensible Possible financial impact to budget, manageable within service Non-compliance with regulations / standards or local procedures resulting in disciplinary action First Aid or medical treatment required Previous risk mitigated by completed action plan	Incorrect actual benefit calculations affecting up to 50 members Incorrect general/estimate information being communicated that could impact up to 10% A, D or P members Delay in paying pensioners by less than 1 working day Meeting the majority of legal and Fund's agreed delivery timescales Impact on assets or liabilities changing funding level by up to 5% over a 1 month period

Criteria for assessing likelihood (based on FCC but timescales added for CPF guidance):

Description	% of risk happening	OR	potential timescale
Unlikely	Up to 5%		Once in 20 or more years
Very Low	Over 5% to 20%		Once in 10 to less than 20 years
Low	Over 20% to 40%		Once in 5 to less than 10 years
Significant	Over 40% to 60%		Once in 3 to less than 5 years
Very High	Over 60% to 80%		Once in 1 to less than 3 years
Extremely High	Over 80%		At least once in a year